

Result of Article 6 in COP26 and Japan's initiatives

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Today's topic

1 Overview of Article 6 negotiation in COP26

2 Decision on Article 6.2

3 Decision on Article 6.4

4 Japan's Initiatives on Article 6

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Adoption of Article 6 rulebook



Article 6 is the mechanism related to carbon market rule

Art6.2 Guidance on cooperative approaches (Accounting Framework)

Art6.4 Rules, modalities and procedures for the mechanism (New Crediting Mechanism)

Art6.8 Work programme under the framework for non-market approaches



Article 6 family photo



Article 6 experts in Japanese delegation



Article6 Hero Medal



Overview of Article 6 negotiation in COP26

1st week (31 Oct – 6 Nov)

Opening
Plenary
(31 Oct)

12 meetings under SBSTA to discuss outstanding issues at the technical level

Statement by
many parties
to conclude Art6
rulebook



Ver1 (Nov)

- Contact Group
- Informal Meeting
- Hods Meeting



Ver2 (5 Nov)



Ver3-4 (6 Nov)

2nd week (8 – 13 Nov)

COP26
Presidency

Ministerial Consultation led by Singapore and Norway

【Political issues】

- Support for adaptation action
- Pre2020 unit (CDM transition)
- Double counting under Art6.4



Ver1 (10 Nov)



Ver2 (11 Nov)



Ver3 (12 Nov)



Ver4 (13 Nov)

Informal
stocktaking
Plenary
(8 Nov)

Closing
Plenary
(8 Nov)

Overview of Article 6 rulebook

Art6.2

- ❑ Definition of ITMOs
- ❑ Corresponding Adjustments (Avoidance of double counting)
- ❑ Reporting, Review and Registry
- ❑ Supporting for adaptation action (Voluntary Contribution)

Art6.4

- ❑ Establishment of Supervisory Body and Rule on Art6.4
(Participating requirement, Mechanism Cycle, Principle of methodologies, SOP and OMGE etc)
- ❑ Corresponding Adjustments (Avoidance of double counting)
- ❑ Transition of CDM project and CER

Art6.8

- ❑ Establishment of Glasgow Committee
- ❑ Principle of Non Market Approaches
- ❑ Future work programme

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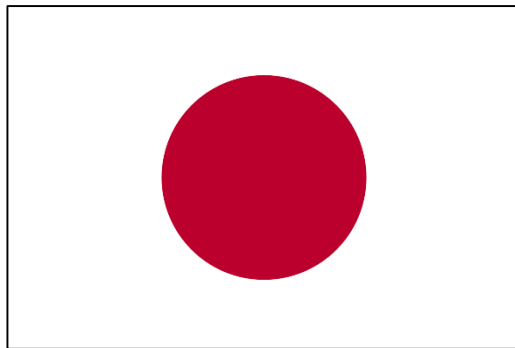
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Article 6.2

Accounting mechanism to use ITMOs towards NDC and other purposes

NDC (Nationally Determined Contribution) , JCM (Joint Crediting Mechanism)
ITMOs (Internationally Transferred Mitigation Outcomes)



Use for NDC

(Private sector also acquire credit)

Support for decarbonization with technology transfer & finance



JCM credit

CO₂

17 countries

JCM Partner Countries

GHG ERs through project
implementation

(Current expectation: 19.2 million by 2030)

Other initiatives



Switzerland
(Klik Foundation)

- ◆ 6 countries (Peru, Ghana, Senegal, Georgia, Vanuatu and Dominica)
- ◆ Avoidance of double accounting and claiming



Sweden
(Swedish Energy Agency)

- ◆ Dominica and Ghana
- ◆ Call for submission on Mitigation Activity Design Documents (MADD)



Australia
(Indo-Pacific Carbon Offset Scheme)

- ◆ Fiji and PNG
- ◆ \$104 million investment in the next 10 years
- ◆ High integrity carbon offset

What's ITMOs ? What is the scope of Corresponding Adjustment?



2016 started

ERs \neq ITMOs

2021

ERs = ITMOs

2030

1

For use towards NDC achievement

2

For use for international mitigations purposes (CORSIA etc)

3

For use for other purposes

※ CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation)

Participating Party needs to
prepare the authorization
arrangement

Credit

ITMOs

Authorization (CA)



Credit used for
NDC achievement

Art6.4 credit used for NDC
achievement and other
international mitigation
purposes

CORSIA



Credit used for CORSIA etc

Credit used for voluntary
cancellation

No authorization (No CA)

Credit (without international transfer)

Use for voluntary
target set by
companies in the
country where
project implemented

Use for claiming
voluntary
contribution (finance
and ERs) by invested
or financed company

Future expectation on Article 6.2

- Environmental integrity is one of the important elements under Art6.2. Importance of human right and indigenous people are also recognized.

More detailed rule will be adopted in 2022 (COP27 in Egypt)

Method for Corresponding Adjustments (CA)

- Trajectory or Budget approach
- Average approach
- CA for Non GHG metrics

In the future CMA session, safeguard and limit will be considered

Report and Review

- Initial Report
- Annual Information
- Regular Information
- Review by Art6 experts (Desk review or Centralized review)



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Article 6.4

Successor Mechanism of CDM under UNFCCC

Clean Development Mechanism



Transition

New Crediting Mechanism (Art6.4)

Article 6.4

Negotiation discussed how to operationalize Art 6.4 with the establishment of supervisory body.

Registered CDM project

7,849

※Except for PoA

Issued CER

2.1 billion-t

※Except for PoA



Decision on CDM transition

CDM Executive Board

Registered CDM Project

7,849

Projects that have effective crediting period = 2,834



Transition

Issued CER

2.1 billion-t

Potential of CER issuance*

2.7 billion-t (2008-2012)

700 million-t (2013-2020)

*UNFCCC estimation

Transition

2008 Kyoto Protocol (CP1 and CP2)

Some parties said

“No intention to use CERs for achieving NDC under Paris Agreement”

Art6.4 Supervisory Body

Registered CDM project may transition to Art6.4 by meeting the following conditions.

- Request to transition by PPs by no later than 31 Dec 2023
- Approved by CDM host party by no later than 31 Dec 2025
- Activity should comply with Art6.4 rule.
- Deregistration from the CDM is necessary.

CA applied

Registered
on or after 1 Jan 2013
(only pre-2021 ERs)

No CA
and SOP

Potential Supply

340 million-t

*IGES · MURC etc estimation

(※ Except for tCER- and ICER)

2021 Implementation of Paris Agreement

To develop a new project,

- A new project should be developed in accordance with Art6.4 rule
(Detailed rule will be developed in the future)



Art6.4 Decision and future expectation

▶ More detailed rule will be developed in next 2-3 years

Supervisory Body

- Each UN regional groups (10 members (2 each group))
- 1 member from LDC
- 1 member from SIDS

2 meetings in 2022

- Development and approval of methodologies
- Registration of Art6.4 activities, Issuance of credit and renewal of crediting period
- Consideration to address human rights and indigenous people etc, Application of robust, social and environmental safeguards and Development of tools and approaches on sustainable development
- Development of Art6.4 website

More detailed necessary

Mechanism Cycle under Art6.4

A. Activity

D. Validation

G. Verification

J. First Transfer

B. Methodologies

E. Registration

H. Issuance

K. Voluntary Cancellation

C. Approval & Authorization

F. Monitoring

I. Crediting Period

L. Appeal Process

SOP and OMGE

(SOP) Levy of 5% of Art6.4 ERs at issuance

(OMGE) 2% of issued Art6.4 ERs for cancellation

- Cancelled Art6.4 ERs cannot be transferred or used for any purpose
- CA application for remaining issued Art6.4 ERs
- Voluntary cancellation of Art6.4 ERs is possible for further OMGE

※Abbreviation
SOP (Share of Proceeds)
OMGE (Overall Mitigation in Global Emission)

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3 pillars for the JCM under Article 6 implementation

1

- ✓ Expanding the JCM partner countries
- ✓ Strengthening the partnership
(World Bank, ADB and UNIDO)

**Indo Pacific and
Africa**

Target by 2030
(accumulative)

100 million-t

2

- ✓ Expanding the JCM project with private finance

3

- ✓ Contribution to expand the market mechanism
with capacity building programme
(Corresponding Adjustment and Reporting under Article 6, CDM
transition and methodology development)



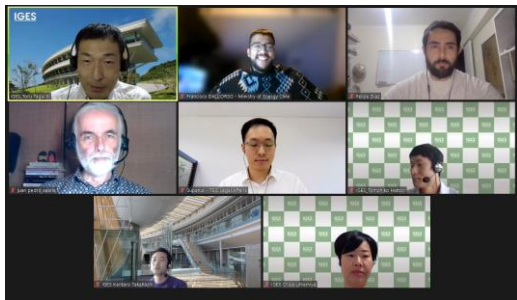
Summary

Environmental Integrity is important under Article 6 of Paris Agreement

- Avoidance of double counting (Corresponding Adjustments)
- Inclusion of social and environmental safeguards including sustainable development in each cooperative approach

Capacity building for participating parties is necessary

- Participating requirements
- Corresponding Adjustments and Institutional arrangement for Authorization
- Reporting (Initial report, Annual information and Regular information)
- Developing the infrastructure such as registry system to track & record ITMOs



IGES support for JCM partner countries

- Article 6 capacity building workshop (8 JCM partner countries)
- Mutual Learning Programme on Article 6 and 13



IGES programme: Enhanced Transparency
<https://www.iges.or.jp/en/projects/transparency>

